

Public Retirement Systems Committee

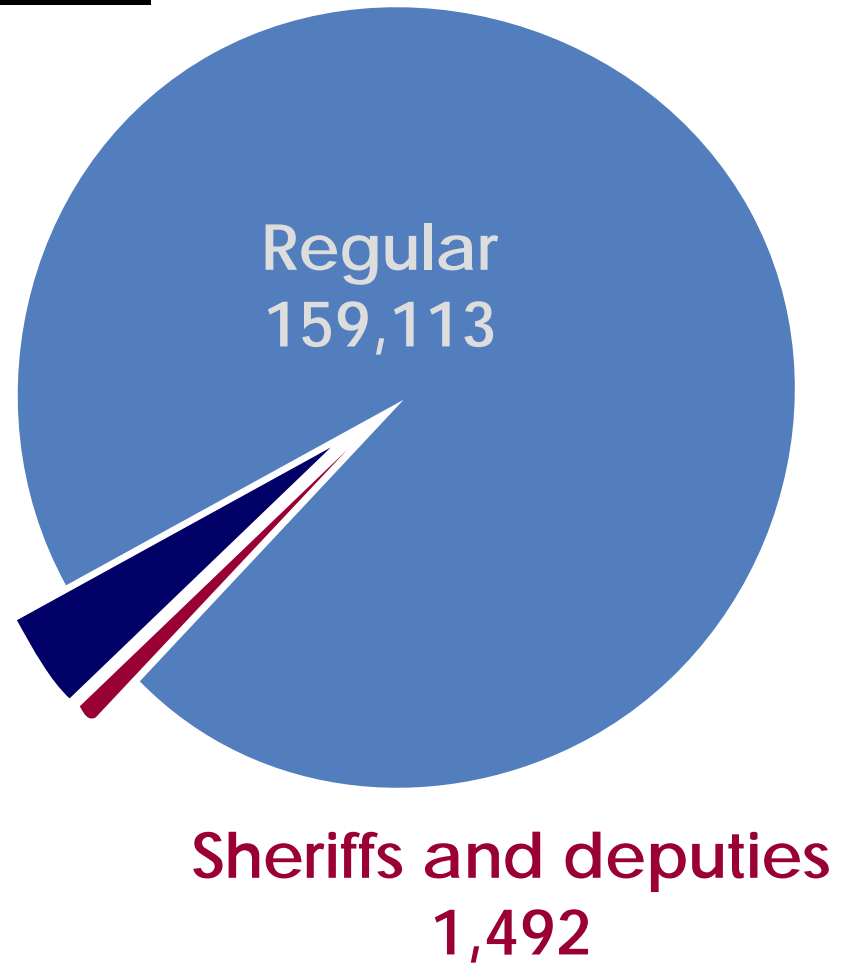
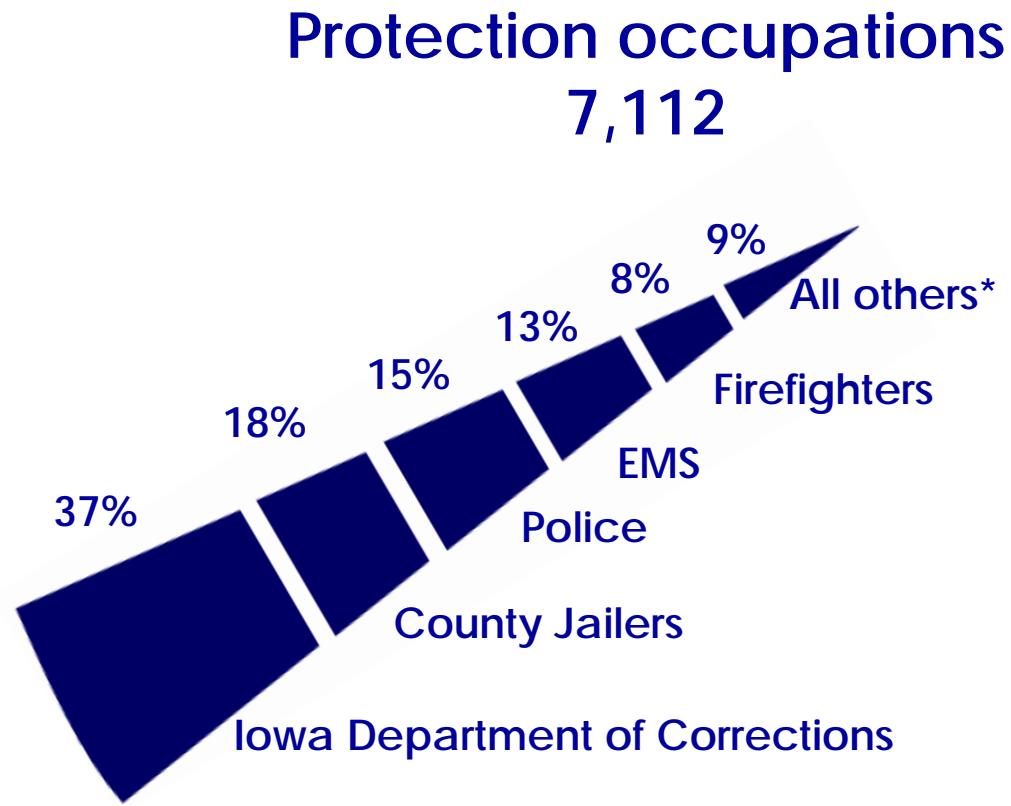
November 19, 2009



Donna M. Mueller, CEO

IPERS Follow-up

IPERS active members



*Includes conservation and transportation officers; airport fire and safety; others

FY2011 contribution rates

**Contribution
Rate
FY2011**

**Actuarial
Rate
FY2011**

**Funded
Ratio
FY2009**

Regular members

(Employer 60%/employee 40%)

11.45%

14.12%

80.5%

Special Service members*

Sheriffs and deputies

(Employer 50%/employee 50%)

17.88%

17.88%

91.0%

Protection occupations

(Employer 60%/employee 40%)

16.59%

16.59%

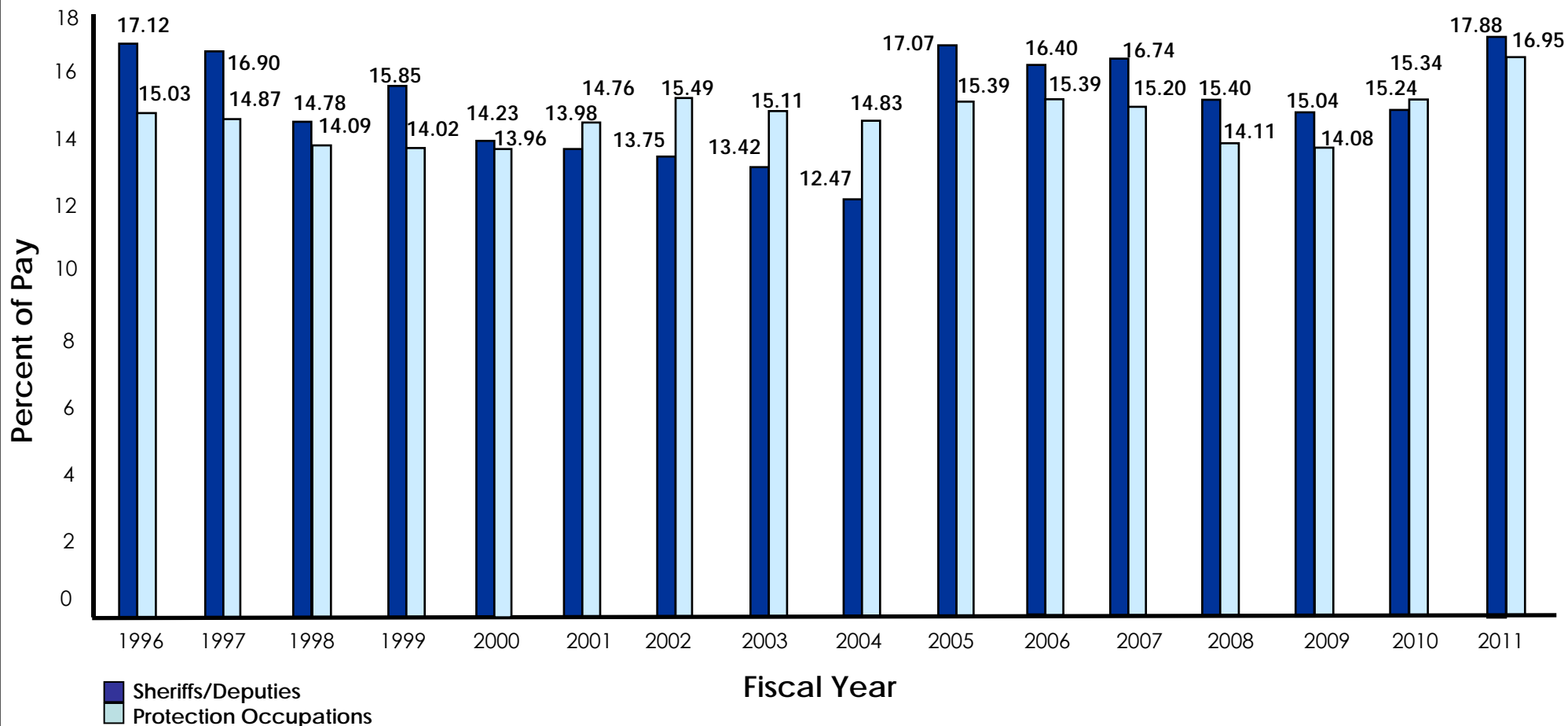
96.0%

- * Benefits for Special Service members are higher than those for regular members.
 - May receive unreduced retirement benefits at age 55 regardless of years of service.
 - Sheriffs and deputies also may retire at age 50 with 22 years of service.

Special Service contribution rates

Rates adjusted each year

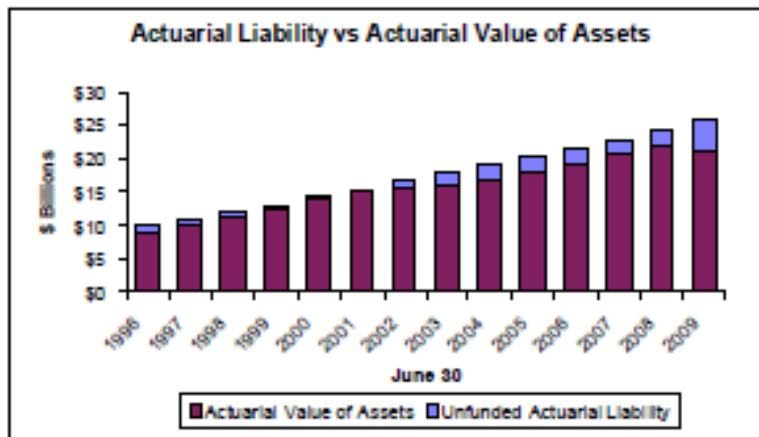
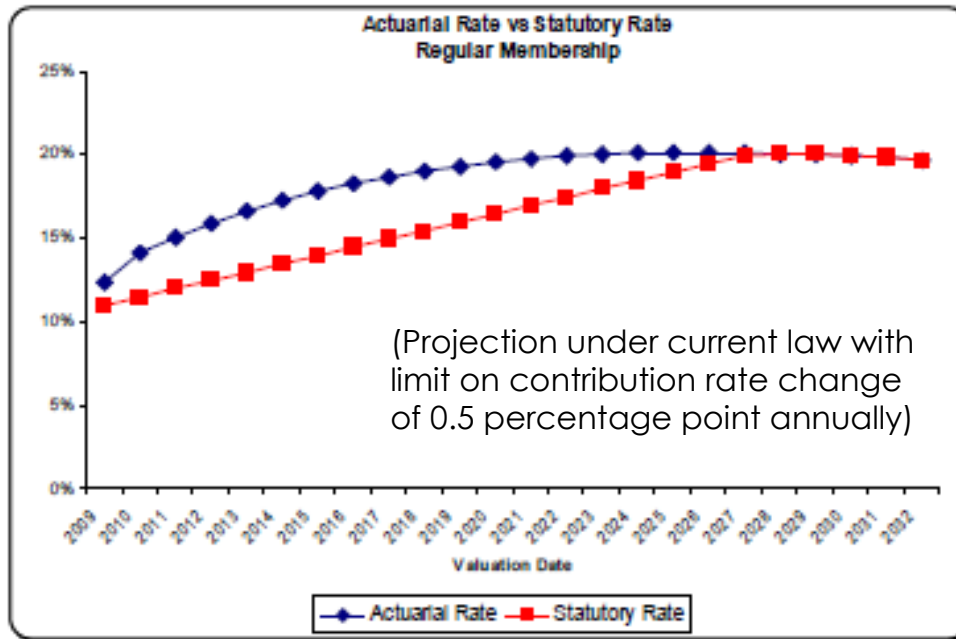
- Rulemaking process
- Rates stable over time, even with benefit increases



Actuarial valuation as of June 30, 2009



Full report at
www.ipers.org > publications



Unfunded Actuarial Liability, June 30, 2008 (\$ Millions)	\$ 2,665
• Expected increase from amortization method	+ 52
• Expected increase from contributions below actuarial rate	+ 140
• Investment experience	+ 1,903
• Liability and other experience (including transfers)	+ 135
Unfunded Actuarial Liability before FED transfer, June 30, 2009	\$ 4,895
• FED Transfer	+ 0
Unfunded Actuarial Liability after FED transfer, June 30, 2009	\$ 4,895

	6/30/05	6/30/06	6/30/07	6/30/08	6/30/09
Funded Ratio	88.7%	88.4%	90.2%	89.1%	81.2%
Unfunded Actuarial Liability (UAL)	\$2,289	\$2,507	\$2,266	\$2,665	\$4,895

BAC proposal reduces normal cost

Normal cost would drop ≈ 90 basis points, or about 9–10% less than current ($\approx 9.9\%$) normal cost

Normal cost reflects the value of benefit earned this year

Normal cost expected to increase about ≈ 40 -50 basis points over the next 25 years as demographics change

BAC recommendation

- Reduce benefits for early retirement by 6% from age 65 (Current reduction is 3% from Rule of 88, Rule of 62/20, or age 65)
- Increase vesting from 4 to 7 years
- Use high 5 earning years rather than high 3 in final average salary (Transition: snapshot of high 3 on effective date of change; compare to high 5 when retire; use higher of two.)
- Keep current multiplier with 65% maximum
- Keep Rule of 88 and Rule of 62/20
- 13.45% contribution rate on 7/1/11
- Yearly contribution rate change limit ± 1.0 percentage point (Current law 11.95% on 7/1/11 with ± 0.5 percentage point limit)
- Rate drop allowed when can use 30-year closed amortization period

Under the BAC recommendation, normal cost will be 40-50 basis points lower than it is now

1.0 percentage point limit on contribution rate change

0.5 percentage point above planned 0.5 percentage point

EMPLOYER TYPE	MEMBER DIFFERENCE	EMPLOYER DIFFERENCE	TOTAL DIFFERENCE
State	\$2,453,007	\$3,679,511	\$6,132,518
Regents	100,708	151,062	251,770
County	1,857,517	2,786,276	4,643,793
City	1,694,699	2,542,048	4,236,746
School	6,601,199	9,901,798	16,502,997
Community College	303,581	455,372	758,953
Other	368,458	552,687	921,144
Per member ave.	80	121	201

FY2012 estimate based on FY2009 wage reports and actuarial wage assumption

Retirement systems shared services

Process Judicial and PORS retirement payrolls since FY2007

\$6 per annuitant annual processing fee

Average payroll processing cost
(Based on CEM Benchmarking's independent review of IPERS)

No added cost to amend I-Que contract and continue processing

More capabilities if resources to configure